



Amy G. Rabinowitz
Counsel

March 25, 2004

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-126

Dear Secretary Cottrell:

I am enclosing for filing the responses of Massachusetts Electric Company and Nantucket Electric Company (collectively "Company") to all of the Attorney General's Second Set of Information Requests except AG-2-7. The Company seeks confidential treatment of its response to AG-2-7, as set forth in the attached motion for confidentiality. Accordingly, I am providing the Company's response to AG-2-7 directly to Hearing Officer John Geary.

Thank you very much for your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: Service List

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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

_____)	
Massachusetts Electric Company and)	
Nantucket Electric Company 2004 Retail)	D.T.E. 03-126
Rate Filing)	
_____)	

**Supplemental Motion of Massachusetts Electric Company and Nantucket Electric
Company for Confidential Treatment**

Pursuant to Mass. Gen. Laws c, 25, §5D and the Department's procedural rules at 220 C.M.R. §1.04(5)(a) and (c), Massachusetts Electric Company and Nantucket Electric Company (collectively "Company") hereby move for confidential treatment of the response to Attorney General Information Request AG-2-7. This Supplemental Motion supplements the Motion of Massachusetts Electric Company and Nantucket Electric Company for Confidential Treatment filed February 18, 2004 in this docket ("Motion"). In the Motion, the Company set forth the applicable standard for granting protective status to confidential information. The Company incorporates that discussion into this Supplemental Motion.

The Company is providing one hard copy of the response to AG-2-7 to Hearing Officer John Geary under seal, on the premise that it will be held in confidence in the Department's offices and will not be distributed unless the Department denies this Supplemental Motion. The Company has redacted the response from its electronic filing.

In response to AG 2-7, the Company is providing information about its dispute resolutions with Standard Offer Service suppliers. Under the terms of the Standard Offer Service Agreement with one of the Company's suppliers, the entire dispute resolution process must be kept confidential, although the Company may disclose information to regulatory authorities

under a pledge of confidentiality. The Company has, and may have additional, disputes with more than one Standard Offer supplier, however. They include both formal and informal processes, and the response contains information that is inextricably intertwined with the Company's litigation strategy. Because the Company has similar issues with more than one counter party, making these responses public would affect the Company's ability to resolve these issues effectively and in the best interests of the Company's customers.

In sum, the limited information for which the Company is requesting confidential status meets the Department's requirements for protection. It is proprietary, confidential, and competitively sensitive.

WHEREFORE, for the reasons set forth herein, the Company respectfully requests that the Department grant the requested Motion for Confidential Treatment, pursuant to G.L. c. 25, §5D and the Department's procedural rules at 220 C.M.R. §1.04(5)(a) and (c).

Respectfully submitted,
MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
By their attorney,

Amy G. Rabinowitz
25 Research Drive
Westboro, MA 01582

Dated: March 25, 2004

CERTIFICATE OF SERVICE

I hereby certify that on March 25, 2004, I served a copy of the Motion of Massachusetts Electric Company and Nantucket Electric Company for Confidential Treatment on the Service List in D.T.E. 03-126 by personal delivery or first class mail.

Signed under the pains and penalties of perjury

Amy G. Rabinowitz
Attorney for Massachusetts Electric Company and
Nantucket Electric Company

Dated: March 25, 2004

Massachusetts Electric Company
Nantucket Electric Company
Docket No. D.T.E. 03-126
Responses to Attorney General's Second Set of Data Requests

AG-2-1

Request:

Referring to the responses in AG-1-1 and AG-1-2, please explain the discrepancy in the two "disputed" uplift costs and expenses incurred through September 30, 2003 (\$27,472,220.24 vs. \$26,244,800). Include an explanation of where and how the Company recovers the approximately \$1.2 million difference.

Response:

The amounts shown in AG-1-1 are actual costs incurred through September 2003.

The amounts shown in AG-1-2 are the costs included in transmission rates through September 2003. These costs are estimated and applied on a lagging basis. For example, the \$5,511,000 included in rates for calendar year 2000 are based on actual costs in 1999.

As explained in AG-1-2, the actual costs incurred each year are included in the Company's transmission reconciliation, which provides, in the aggregate, the reconciliation of actual transmission costs, including the disputed costs, against the transmission revenue billed by the Company. Should there be any under or over recoveries of transmission costs, including these disputed costs, the under or over recoveries have been reflected in the following calendar year through the Company's annual Transmission Service Cost Adjustment Factor.

Prepared by or under the supervision of: Michael J. Hager

Massachusetts Electric Company
Nantucket Electric Company
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AG-2-2

Request:

Referring to the confidential response in AG-1-5, please explain why the total amount claimed by "Claimants" and reflected in the table on p. 4 of the Arbitration Decision differs from the "disputed" uplift costs and expenses incurred through September 30, 2003, of \$27,472,220.24. Explain this discrepancy in light of the different "period ending" dates (December 31, 2002 and September 30, 2003).

Response:

The Claimants amount reflected in the table on p. 4 of the Arbitration Decision include disputed costs through December 2002 for the Company as well as its affiliates that were also a part of the proceeding.

The amount claimed by the Company in the arbitration proceeding is identical to the costs identified in the response to AG 1-2 through December 2002.

Prepared by or under the supervision of: Michael J. Hager

Massachusetts Electric Company
Nantucket Electric Company
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AG-2-3

Request:

Referring to the confidential response in AG-1-5, please state whether the costs for which the supplier was held responsible as of a certain date reduces or is otherwise to be deducted from the "disputed" uplift costs and expenses incurred through September 30, 2003, of \$27,472,220.24.

Response:

The \$27,472,220.24 disputed amount excludes any costs that the supplier was found to be responsible for.

Prepared by or under the supervision of: Michael J. Hager

Massachusetts Electric Company
Nantucket Electric Company
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Responses to Attorney General's Second Set of Data Requests

AG-2-4

Request:

Please state whether the Company is seeking recovery of any of the costs sought in docket D.T.E. 03-67 in this reconciliation proceeding. Specify any amounts from docket D.T.E. 03-67 that the Company seeks in this matter.

Response:

The Company is not seeking any costs from docket D.T.E. 03-67 in this reconciliation proceeding.

The costs from docket D.T.E. 03-67 are being sought in the Company's Exogenous Factor filing (D.T.E. 03-124).

Prepared by or under the supervision of: Theresa M. Burns

AG-2-5

Request:

Please state whether the Company seeks to recover any costs in this proceeding in excess of those permitted under the Restructuring Settlement Agreement approved in docket D.P.U. 96-24 and the Settlement Agreement approved in docket D.P.U./D.T.E. 97-105. Specify whether the Company intends to file any tariffs with rates in excess of those permitted under the Restructuring Settlement Agreement approved in docket D.P.U. 96-24 and the Settlement Agreement approved in docket D.P.U./D.T.E. 97-105.

Response:

The Company has not included any costs in this proceeding that have not been identified in the settlement agreement in D.P.U./D.T.E. 96-24 ("Retail Settlement Agreement") and in the March 22, 1999 stipulation and agreement in D.P.U./D.T.E. 97-105 ("Wholesale Stipulation and Agreement"). The Wholesale Stipulation and Agreement included the position of the parties as it related to contract termination charges and standard offer service contracts. The Company has reflected in its retail transition charge the effect of blending the contract termination charge from the former Montaup Electric Company ("Montaup") to the former Eastern Edison Company ("Eastern Edison") with the contract termination charge from New England Power Company to Mass. Electric. Such a blending is provided for under the terms of the November 29, 1999 Rate Plan Settlement in D.T.E. 99-47 ("Rate Plan Settlement"). See Rate Plan Settlement, § I.B.3.b. The discussion in the Wholesale Stipulation and Settlement related to standard offer service contracts was limited to the bidding, execution, jurisdiction, and statutory compliance of these contracts, and did not stipulate any retail pricing requirements.

The Retail Settlement Agreement provides for a variety of rate components. Distribution rates are not part of this instant proceeding and therefore are not addressed in this response. Transition charges are discussed above. The Retail Settlement Agreement allows for the recovery in transmission rates of transmission charges billed to Eastern Edison by Montaup, a regional transmission group, an independent system operator, any other transmission provider, or any regional entity allowed to provide transmission services or reliability-related operating service by the Federal Energy Regulatory Commission. The Company has not included any other costs associated with Eastern Edison, which have been assumed by Mass. Electric upon their merger on May 1, 2000, beyond what has been provided for under the Retail Settlement Agreement and existing tariffs. See Retail Settlement Agreement, § I.B.1(b) and § I.B.3. The Rate Plan Settlement provided for the consolidation of transmission rates on the effective date of the companies' merger. See Rate Plan Settlement, § I.B.2. Although the Retail Settlement Agreement provided for the reconciliation of default service (§ I.B.7), the Department has established rules and issued orders on the costs that are allowed in the Company's default service reconciliations. Therefore, the Company believes it is not necessary to discuss default service costs in this response. Finally, the Retail Settlement Agreement included provisions for the

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AG-2-5 (continued)

pricing of standard offer service. This pricing allowed for a stipulated fixed price adjusted by a fuel index (§ I.B.1(d)) and an adjustment factor to the extent that such an adjustment factor was a surcharge (§ I.B.5). Upon the merger of Eastern Edison and Mass. Electric, customers of Eastern Edison were placed on Mass. Electric's rate schedules, as adjusted by the Rate Plan Settlement, and customers of Eastern Edison were subject to all other adjustment provisions not specifically provided for in the Rate Plan Settlement, including the standard offer service adjustment provision. See Rate Plan Settlement, § IB.4. The Company has not included any costs in the instant filing that have not been previously approved for recovery by the Department. The costs included in this filing reflect only power supply costs. Therefore, the standard offer rate proposed by the Company and approved by the Department for 2004 does not reflect the recovery of costs beyond those which are allowed to be recovered.

In future annual rate reconciliation filings, the Company anticipates only seeking recovery of costs as provided in the reconciliation and adjustment provisions and restructuring settlement in D.P.U./D.T.E. 96-25, Mass. Electric's Restructuring Settlement Agreement. However, the Rate Plan Settlement allows the Company to seek recovery of certain exogenous costs as a result of events outside of the Company's control that affect the Company's distribution costs. See Rate Plan Settlement, § I.C.1(a) through (h)). As such, an exogenous factor would not be an adjustment to rates in excess of those permitted under the Retail Settlement Agreement and Wholesale Stipulation and Agreement, but an adjustment to distribution rates approved in D.P.U./D.T.E. 96-25. Since customers of Eastern Edison were placed on Mass. Electric's distribution rates as part of the merger of the two companies (Rate Plan Settlement, § I.B.1(a) and § I.C.1), any provisions in the Retail Settlement Agreement pertaining to distribution rates have been superseded by the provisions in the Rate Plan Settlement regarding distribution rates.

Prepared by or under the supervision of: Theresa M. Burns and Legal Department

Massachusetts Electric Company
Nantucket Electric Company
Docket No. D.T.E. 03-126
Responses to Attorney General's Second Set of Data Requests

AG-2-6

Request:

Referring to the confidential response in AG-1-5, please state whether there are any dispute resolution proceedings pending with any Standard Offer suppliers other than US Gen New England, Inc.(see confidential response AG-MECO-1-5 in docket D.T.E. 03-124). State whether the Company intends to seek recovery of any disputed costs and expenses from the foregoing dispute resolution proceedings in this reconciliation proceeding. If yes, please provide the amount of these costs that have been incurred through September 30, 2003. Include the monthly costs by category and vendor, all documents supporting the Company's claim that these costs are, or may be, the Company's responsibility, including copies of all settlements, court orders and mediation/arbitration orders and decrees.

Response:

There are no dispute resolution proceedings pending with any suppliers other than seeking confirmation of a prior proceeding in Superior Court.

Since there are no other dispute resolution proceedings pending, the Company is not seeking recovery of any additional costs in this reconciliation proceeding. The costs associated with the proceeding pending in Superior Court are included in the Company's Exogenous Factor filing in Docket D.T.E. 03-124.

Prepared by or under the supervision of: Michael J. Hager

Massachusetts Electric Company
Nantucket Electric Company
Docket No. D.T.E. 03-126

Responses to Attorney General's Second Set of Data Requests

AG-2-7

Request:

Please provide the requested Standard Offer supplier dispute resolution information in the table below. Column A should contain actual supplier names (e.g., supplier X or supplier Y). Column B should describe the type(s) of charges being disputed (e.g., uplift, congestion, etc.). If there is more than one disputed contract for a supplier, please place it in a separate row so that separate entries in columns C, D, and E can be made. Column C should show the amount involved and the party currently making the payments or incurring the costs. Column D should show the amount of the Company's portion of Column C (if any) that is already in rates. Please provide a yearly breakdown of this information. Column E should describe the current disposition (whether already resolved by an arbitrator for \$X dollars in favor of supplier or Company; or awaiting court or arbitrator decision) of the matter.

Supplier	Reason for Dispute	Amount in Dispute	Amount of Col. C Already in Rates	Current Disposition
Col. A	Col. B	Col. C	Col. D	Col. E
Supplier X				
Supplier Y				

Response:

The Company has requested confidential treatment of the response to this request. A confidential response to this request has been provided under separate cover.

Response prepared by or under the supervision of: Michael J. Hager

Massachusetts Electric Company
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Responses to Attorney General's Second Set of Data Requests

AG-2-8

Request:

Please reconcile and explain the difference between the March 2000 US Gen NE total for Mass Electric and Nantucket (\$1,246,980.69) (see AG-1-2, Attachment- Summary of Disputed Costs) and the invoice provided in AG-1-1 (page 19) for the same supplier and month (\$967,728.09).

Response:

The \$1,246,980.69 amount for March 2000 shown in AG-1-2 includes the \$967,728.09 shown in the invoice on page 19 of the response to AG-1-1 as well as the \$279,252.61 shown in the invoice on page 22 of the response to AG-1-1.

Prepared by or under the supervision of: Michael J. Hager

Massachusetts Electric Company
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AG-2-9

Request:

Please define and explain the "Disputed Funds Release" item on the invoice provided in AG-1-1 for August, 2000 (page 113).

Response:

Under the NEPOOL billing rules in effect at that time, a Participant that disputed an amount billed to it by the ISO was required to pay the full amount of the disputed amount and request that the ISO hold the disputed amount in escrow. All other NEPOOL Participants were then billed a pro-rata amount of the disputed amount with these funds being used to pay NEPOOL Participants that were owed funds from the ISO and which did not receive those funds to the amounts being placed in escrow. Following resolution of the dispute, the ISO would refund to Participants that were charged a pro-rata amount of the disputed funds a pro-rata amount of the released funds plus interest thereon.

The amount on line 35 entitled "Disputed Funds Release" on page 113 of the response to AG-1-1 reflects the amount of released funds plus interest that was refunded to the Company from a dispute that arose in June 2003 that was resolved.

Prepared by or under the supervision of: Michael J. Hager

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Responses to Attorney General's Second Set of Data Requests

AG-2-10

Request:

Please explain the rationale for the selection of a single month of kWh data as the allocator of forecasts of 2004 to standard offer service. Include both the rationale for using a single month as a constant forecast and the rationale for the choice of a particular month (i.e., latest month available, typical month, etc.).

Response:

The Company has made it a practice to use the most recently available billing month of kWh deliveries in order to calculate the percentage of kWh deliveries attributable to Standard Offer Service. Such a calculation is necessary as the Company does not prepare separate load forecasts for individual commodity services, but rather prepares its load forecasts for the distribution function. Therefore, in order to estimate future Standard Offer Service load, using the most recently available information, the percentage is calculated and applied to the total Company forecast.

The Company uses one month as the basis upon which to calculate the percentage discussed above. The main reason for using one month is that, over time, Standard Offer Service load should decline as a result of customers choosing to receive commodity service from a competitive supplier or from natural migration of customers out of the Company's service territory. Therefore, one would expect the percentage of load attributable to Standard Offer Service to either remain constant or decrease. Therefore, using the most recently available billing month's kWh deliveries provides a reasonable proportion of Standard Offer Service load upon which to estimate future Standard Offer Service load. Just as the Company cannot predict what future migration off of Standard Offer Service will be, it would also be less accurate to include in the percentage calculation data from months in which there was more Standard Offer Service load which has since left Standard Offer Service for the reasons stated above. Therefore, the Company believes that, in the interest of calculating a reasonable estimate, the use of the most recent month's data is appropriate.

Prepared by or under the supervision of: Theresa M. Burns